

## MEMORANDUM

TO: Tom Breiner and Gary DeLong

FROM: Doug Faillie

DATE: June 14, 2000

RE: Regional Meeting - May 24, 2000

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The following is a synopsis of our above meeting:

ER - JOHN O'MARA:

Growth is the largest issue for ER in the region. We are behind in growth largely due to a sizeable amount of non-reoccurring during the first half of the year. However, we are still behind on a new business argument. John asked that the branch managers become involved in managing the process on larger new business. He would also like us to look at such techniques as contingency and special deals to leverage new business from our agency plant. Law firm professional and professional liability on hospital chains are two areas that John feels we have an excellent shot at new business in the region. He will be scheduling quarterly visits from Simsbury, particularly in the medical malpractice and miscellaneous E&O departments. His folks will conduct more intense planning with agents and reviewing their current book. We are particularly interested in writing private D&O and forefront where our margins are terrific. John will be putting together a proposal on minimum pricing and deductibles for the Ohio Valley territory for these most profitable lines. Lastly, we need to get more rate in public D&O and EPL. Market conditions have made this difficult, however, it is critical in future profitability.

CSD - ELEANOR FAULKNER:

Service on renewals, endorsements and new lines is fair. Given our current staffing, training and quality of our people we would expect our service to be better. It should be noted, however, that Ohio policies service suffer from the waiting on rejection notices for the Ohio uninsured motorists. The branch managers asked that CSD focus on improving our results and build accountability into individual CSRs.

Internally, CPR needs to be improved by issuing policies early, communicating with agents and sending binder bills when necessary. We will continue to put pressure on accounting to provide us with good information. If we can obtain this information the branch managers and management staff will put pressure on the agents for payment. Eleanor is setting up a monthly

EXHIBIT

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conference call with the specialists. I have since spoken to Gary Woodring on our needs. He is working on an IT program that would provide us the necessary information to manage CPR. Until then he has agreed to give us this information manually if we will aggressively use it.

Eleanor discussed the regionalization of marine business. She is currently waiting for the national department's strategy on marine coring. Since our meeting, Eleanor has put together a document on our goals and time tables for marine regionalization. We currently need to provide training and get capacity for these functions in the Cincinnati branch. That is currently underway. Tom and Gary asked Eleanor to investigate other coring opportunities such as expense cashier, receptionist, loss control and appraisal support etc. Plans are underway to international maps processing. This will be cored in our Cleveland office and will take approximately three months to ramp up to speed.

We will be hiring a regional LAN coordinator. The branch managers have asked that Eleanor analyze the workload of our FTS team and divide labor for maximum efficiency.

#### CID - Dieter Korte:

Cleveland's book of business is close to weeding out all of the substandard business. Rate increases are very good but we need to push the increases on stopgap more aggressively. Indianapolis needs to more aggressively push rate. The account management in Indy is the best in the region. Several large accounts are coming up that are tough and need to be underwritten carefully.

The Cincinnati branch is almost through with their reunderwriting of the book. By 7/1/2000 the Columbus book should be completely cleaned up. There are several truckers in the Louisville book that will be all non-renewed by 10/1/2000. There is one horse farm trucker that will be renewed as an exception. The Cincinnati book still has several tough and questionable accounts that will be cleaned up by yearend. The rate for the Cincinnati territory is excellent and there is aggressive non-renewal of business.

From a marketing standpoint CID's charge will be for visibility, account management and agency management. Dieter will continue to drive that agenda.

We are beginning to raise our expectations of the quality of our Loss Control. Loss Control quality in Cleveland and Louisville are quite good. Mike Zdinak is working aggressively with the underwriters, Tom Breiner and myself to elevate the report quality in Cincinnati and Indianapolis.

Our international results are behind plan. The regionalization of international processing should help. We will also continue to look for a potential candidate for regional international underwriter/marketer. Tom and Gary do not see the need. Dieter and myself are willing to make the investment if we find the right person and structure it appropriately.

#### HUMAN RESOURCES:

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Diane will be taking her maternity leave next week for approximately six months. I have enclosed a list of responsibilities based upon Diane and your input. Bill Crawford and Jim Ekdahl will provide some coverage. The leadership of the branch managers and their management team will be crucial over the next six months to ensure that we're managing our staff appropriately.

We need to hold our management staff responsible for ensuring that every employee has a written staff development plan in their performance appraisal. Diane has developed a regional learning and development calendar documenting who has taken past and future planned events. You can access that through the Website, HR directory, training subdirectory and on the intranet (\\hr\training\l&d\dir.xls). Please alert your staff to send any updates to this information to Becky Emerson who will be responsible for keeping this current during Diane's absence.

#### MARKETING:

There is a need to identify the zone best practices. I have spoken to Tim Szerlong who agrees that that would be a valuable project for Kevin Smith, New Zone Marketing Manager. In the meantime I will have Jeff Barton put together the best practices for the OH Valley Region. There is also a desire to have Jeff step up his communication to the MVI agents so that he is recognized as the go to person and authority on procedures. Jeff will begin this immediately.

#### PERSONAL LINES:

There has been some confusion regarding the staffing and management of the appraisal unit. I have had several conversations with James Hasley. We have researched the incoming workloads which I have sent you copies of and have come up with the following scenario. Cleveland currently has a fulltime appraiser and a trainee that is coming off training status shortly. We will authorize her position which has been approved by the zone and home office. This will give Cleveland excess capacity that they will utilize to work down their backlog and handle the Columbus territory. Cincinnati will continue to be handled by their one personal lines appraiser who will cover Louisville and Cincinnati. Indianapolis has experienced tremendous growth over the last four years which requires 1 ½ marketing reps and 1 ½ appraisers. We currently have a personal lines practice leader, an individual that is performing half marketing and half appraisal functions and a trainee that is coming off status shortly. Jim Ekdahl suggests that we keep the trainee on overstatus to be slotted in 2001 through the budget process. The region does not have anyone in the appraisal department that can assume the regional leadership role. James Hasley informed me that he will be working with the zone appraisal leader to come up with a gameplan for the performance management of this staff.

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PMM:

There is a perception that the regional PMM role is not providing value as most referrals are going to Ed Enfield, Zone Manager. Upon researching this it appears that the authority levels of Michael Whitman are satisfactory. I have been working with Michael Whitman and ask your support as former marines for him to stepup his leadership role. I have also asked Ed Enfield to encourage the region to utilize Michael more and keep him in the underwriting loop. We will monitor this progress monthly.

SUMMARY:

The regional management team is working extremely well from a standpoint of cooperation and responsiveness. We are moving closer to a strong regional structure each day. Your input during this meeting is invaluable to drive the expertise and performance of that team. We will continue to hold annual meetings with the entire regional team with probably two separate meetings per year with the branch management staff. I am confident that this will help us to build our infrastructure and drive the agendas that will return the region to profitability that will set us up for significant future profitable growth.

CC: Tim Szerlong

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